

5/10/78

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THE PRESIDENT'S SCHEDULE

Wednesday - May 10, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

9:00 Meeting with Labor Leaders/Inflation.
(30 min.) (Mr. Stuart Eizenstat) - The Indian Treaty Room.

10:00 Greet Co-Chairmen of the DNC Southern States
(5 min.) Fundraiser in Houston. (Mr. Tim Kraft).
The Roosevelt Room.

10:30 Mr. Jody Powell - The Oval Office.

12:00 Lunch with the Joint Chiefs of Staff.
(Dr. Zbigniew Brzezinski) - The Roosevelt Room.

1:30 National Security Council Meeting.
(30 min.) (Dr. Zbigniew Brzezinski) - Cabinet Room.

2:30 Greet Officers, Board of Directors and Members
(10 min.) of the American Retail Federation. (Mr. Hamilton
Jordan) - Room 450, OEOB.

2:45 GSA Administrator Jay Soloman. (Mr. Jack Watson).
(10 min.) The Oval Office.

MR. PRESIDENT:

YOU WILL BE SEEING THE AMERICAN
RETAIL FEDERATION BOARD AT 2:30.

ATTACHED, THE POINTS THEY ADOPTED
AT LUNCH TODAY.

TK

Q
1

ANTI-INFLATION DISCUSSION POINTS

While retailing has not been a major contributor to inflation, nevertheless we recognize the dangers of inflation and the necessity of making a voluntary program work. Therefore, the Board of Directors of the American Retail Federation has adopted the following five-point program.

1. An announced decision by the Board of Directors of the American Retail Federation that our objective is to find ways to keep costs to a level in support of national goals.
2. To maintain retail prices to conform to the present practice in well-run retail stores of comparable quality, and to resist any cost price increases unless the supplier can demonstrate that the price increases can be justified. To work with suppliers, in the design and specification of merchandise toward keeping prices as low as possible, and to exert a maximum effort to control all other operating costs.
3. To develop methods to control inflation with particular emphasis on increasing productivity, and to publicize these methods to its members.
4. Sponsor a meeting or series of meetings between retail executives and Administration officials to explore ways that inflation can be countered without resorting to formal restraints.
5. Establish a joint public information program involving the government departments having inflation fighting responsibility, and state and national retail associations and their members, similar to the Shop Early-Mail Early program in which retailing jointly participates with the U. S. Postal Service.

Although we plan to do all possible to fight inflation, we recognize that major contributing causes to inflation are excessive government expenditures and costly government regulations. Our pledge is to work in joint and cooperative effort with the government to combat inflation.

THE WHITE HOUSE

WASHINGTON

May 9, 1978

C
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MEMORANDUM FOR THE PRESIDENT

FROM: Jack Watson *Jack*

SUBJECT: YOUR MEETING WITH JAY SOLOMON,
GENERAL SERVICES ADMINISTRATION,
Wednesday, May 10, 1978 at 2:45 p.m.
Oval Office (10 minutes)

As an off-shoot of the Administrative Services Reorganization Project, Jay has developed an interesting proposal for cutting administrative costs across the federal government. Those costs amount to a staggering 25 percent of the federal budget (according to Jay's projections for FY 79) and include travel, rent, communications, supplies, etc. In other words, a 10 percent savings in "overhead" could save \$12.5 billion per year.

Jay proposes to use GSA as a prototype for a new incentive system. Instead of providing GSA departments with line item expenses, such as telephone, travel, supplies, furnishings, etc., he would give each department a lump sum amount for administrative costs. He would then direct the department head to try to cut those costs by 10 percent. If such savings were achieved, half of the amount saved would be rebudgeted for their programs, and half would go to the Treasury.

The problem under the existing system is that there is no incentive for savings. For example, if an agency has a line item for fuel oil, the bureaucracy feels that it must spend the budgeted amount on fuel oil because they cannot use it for telephones or programs. Returning any savings to Treasury would jeopardize their pleas for more money the following year. Jay's view is that if agencies felt they could increase their program levels by achieving real savings in overhead, that would be real incentive.

Jay feels strongly that the PRP group looking at administrative services reorganization should be addressing this type of "management" initiative more and focusing on shifting

around organizational structures less. (It might be a good idea to try this approach with one of the Cabinet departments to see how it would work with one of the "program" agencies. I could discuss the idea with OMB and see how it might be done on a experimental basis.)

Jay announced yesterday that he has appointed Vincent Alto, a former trial attorney and FBI employee, as special counsel to investigate allegations of fraud and misconduct in his agency.

THE WHITE HOUSE
WASHINGTON
May 10, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

CALL TO HUDDLESTON
PROPOSED CALL TO WAGGONER -
NOT DONE

THE WHITE HOUSE
WASHINGTON

WEDNESDAY - MAY 10, 1978

1:00 P.M.

MR. PRESIDENT

SENATOR HUDDLESTON CALLED.

FRANK SAYS THE SENATOR WANTS TO
RECOMMEND AL SMITH, WHO IS UNDER
CONSIDERATION FOR THE TVA--SMITH
WILL BE INTERVIEWED.

T.K.

*done
J*

THE WHITE HOUSE
WASHINGTON

not done
5

May 10, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*
SUBJECT: REQUEST TO CALL CONG. JOE WAGGONER (D-LA)
REGARDING NATURAL GAS

Waggoner has been "worked on" by the Speaker, Secretary Schlesinger, Cong. Lud Ashley and Charlie Wilson all day long to accept the Charlie Wilson proposal that evolved out of your meeting yesterday. Joe Waggoner is delaying his decision. A call from you would be helpful.

TALKING POINTS

Joe, I know you know the cost of not getting an energy bill as much as anyone in Congress. This bill is the best we are going to get. It is a good balance between consumers and producers. It is good for Louisiana, and I need it.

I am asking you to accept this proposal and go in there today and vote for it.

THE WHITE HOUSE
WASHINGTON

May 10 1978

Bob Linder

The attached was returned in the
President's outbox yesterday
and is forwarded to you for
appropriate handling.

Rick Hutcheson

FOR THE RECORD - The President's
request was fulfilled - Schultze
concurs.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 8 1978

*Jim
Check 'i
Schultz before
Sending memo
J*

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Director
Office of Management and Budget

Jim

SUBJECT: Review of the Federal Statistical System
A Presidential Reorganization Project

As a result of concerns expressed by several of your advisers, I have approved the start of a review of the Federal Statistical System within the President's Reorganization Project. The study will address the increased need for coordination resulting from the continued creation of new important statistical activities and the fact that more than 100 Federal agencies now produce statistical data and information. It will also focus on the following issues:

- ° Wasteful Federal expenditures and unnecessary private reporting burdens, together with gaps in necessary data, that result from inadequate coordination and planning;
- ° The conflict between the need to protect the real and perceived integrity of Federal statistics by keeping statistical agencies isolated from political decisions and the equally demanding need for better linkages between statisticians, analysts and policy-makers, so that the data produced will be relevant;
- ° The proper balance between the need for full access to Federally gathered data, so that the greater benefits may be obtained, and the necessity for confidentiality and privacy, which greater access may threaten;

- ° How the Federal Statistical System can best be provided with an ability to change and keep up to date with the rapidly changing world it is supposed to track.

The Project will propose and examine several options on how the Federal statistical system can be better organized -- from both a functional, structural and management point of view. The Project Director, Dr. James T. Bonnen, is now on board, and the study will involve all those with stakes in the statistical system. We expect to provide you with recommendations in November 1978.

A memorandum from you to the heads of departments and agencies, announcing the Project and asking for their assistance, is attached for your signature. It has been edited by Jim Fallows.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Review of the Federal Statistical System

I have directed my Reorganization Project staff to perform a comprehensive review of the organization of the system that collects, evaluates and disseminates statistical data for the Federal government.

This Nation has the most accurate and efficient statistical system in the world. But a number of persistent problems--including the burden placed upon respondents and the responsiveness of data to policy needs--indicate a pressing need to improve the coordination of Federal statistical activities, which are growing at an increasing rate.

The study will use to the maximum extent the work that has been done in previous efforts. During the course of the study the project staff will be seeking the advice and support--including staff assistance and other resources--of many of the agencies that are part of our statistical system. I trust you will cooperate to the fullest extent possible. In addition to Federal agencies, the project will need the advice and counsel of the Congress, State and local governments and the public.

To ensure that all affected parties are informed, I have directed that this memorandum be published in the Federal Register.

Jimmy Carter

ID 782350

THE WHITE HOUSE
WASHINGTON

DATE: 08 MAY 78
FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

FRANK PRESS

STU EIZENSTAT

JACK WATSON

RICHARD HARDEN

RICHARD PETTIGREW

SUBJECT: MCINTYRE MEMO RE REVIEW OF THE FEDERAL STATISTICAL SYSTEM
A PRESIDENTIAL REORGANIZATION PROJECT

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. (X) NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAY 6 1978

MEMORANDUM FOR THE PRESIDENT

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Office of Management and Budget

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To ensure that all affected parties are informed, I have directed that this memorandum be published in the Federal Register.

9:00 AM

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

May 9, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

RAY MARSHALL *for*

SUBJECT:

Your Meeting on Inflation with Labor Leaders,
Wednesday, May 10, 1978

On Monday, May 8, 1978, Bob Strauss and I gave you a memorandum outlining our recent discussions with George Meany and our expectations for your meeting with the labor leaders. A copy of that memorandum is attached. To provide you a clearer idea of both the structure and likely outcome of the meeting, I thought a follow-up memorandum would be useful.

FORMAT

The meeting will begin at 9:00 a.m. in the Indian Treaty Room (Room 474) of the Old Executive Office Building. No other room was available that could accommodate a large meeting. The meeting will last for a little more than one hour. Approximately 30 labor leaders will attend in addition to Administration officials and White House staff. Bob and I will jointly chair the meeting until your arrival or after your departure. Both of us will plan to make short statements and then open the meeting up for discussion. The meeting is structured to encourage an exchange of views on both your anti-inflation program and other ideas the labor people may have. Each person invited was sent a copy of your speech on inflation to the American Society of Newspaper Editors with the letter of invitation. I believe we can expect a lively exchange.

PRESS

Upon your arrival, the press will be permitted to come into the room briefly for film and photo opportunities. After the

meeting, Bob Strauss and I together with George Meany, will be available for comment to reporters on our way out of the Old Executive Office Building. George Meany plans to immediately reconvene the AFL-CIO Executive Council to discuss and adopt a resolution on the economy. He will hold his own press conference at 12 or 12:30 p.m. in order to discuss the resolution. I expect that he will use this press conference to give his assessment of our meeting and the AFL-CIO position on inflation policy.

SUGGESTED TALKING POINTS

I suggest that in your remarks you consider making the following points:

- Many of the goals that you and organized labor share, such as a further reduction in unemployment, the Humphrey-Hawkins bill, labor law reform, national health insurance, and other needed social programs will be most difficult to achieve if we don't get inflation under control.
- Equally as important though, is the fact inflation hits workers, particularly low income workers, harder than any other group.
- Reflecting the impact inflation has on workers, the Harris survey shows that 83 percent of union members think rising prices are a more important personal problem than unemployment. Even more significantly, 54 percent would rather take a pay increase smaller than the comparable price rise if they were sure that the cost of living would be brought under control rather than a pay raise that is more than the rising cost of living without that assurance.
- Inflation is a serious problem that we need to work together to solve. It began many years ago and it won't be solved by increasing unemployment nor does the Administration plan to impose wage and price controls. But we do need the cooperation of business and labor.

- Although in a system of free collective bargaining wages and benefits are collectively bargained and most often ratified by union members in a democratic process, the Administration hopes that:

- The leaders of organized labor will exert some leadership in seeking moderation of wage demands.

- Labor will cooperate with the Administration's effort to slow inflation in particular sectors. Specifically, labor will cooperate with the attempt to slow inflation in the health sector by pledging to support hospital-cost containment and to help move that legislation through Congress.

- If price increases decelerate, labor will work to see that wage increases will decelerate also, on average.

Attachment

PARTICIPANTS

PARTICIPANTS

ADMINISTRATION

Ray Marshall
Bob Strauss
Charlie Schultze
Barry Bosworth
Dan Brill, Assistant Secretary of Treasury
(Representing Mike Blumenthal
Peter Henle, Deputy Under Secretary of Labor
Paul Jensen, Executive Assistant and Counselor
to the Secretary of Labor
Arnold Packer, Assistant Secretary of Labor
Landon Butler
Stu Eizenstat

AFL-CIO

George Meany
President

Lane Kirkland
Secretary-Treasurer

Tom Donahue
Executive Assistant to
the President

Rudolph Oswald
Research Director

Albert Zack
Director, Public Relations

Emmet Andrews
President
American Postal Workers Union

Kenneth T. Blaylock
President
American Federation of
Government Employees

Peter Bommarito
President
United Rubber Workers

Sol C. Chaikin
President
International Ladies'
Garment Workers Union

AFL-CIO (continued)

Al H. Chesser
President
United Transportation Union

Murray H. Finley
President
Amalgamated Clothing and
Textile Workers Union

David J. Fitzmaurice
President
International Union of Electrical
Radio & Machine Workers

Angelo Fosco
President
Laborers' International
Union of North America

Thomas W. Gleason
President
International Longshoremen's
Association

Paul Hall
President
Seafarers International Union

Edward T. Hanley
President
Hotel & Restaurant Employees'
and Bartenders' International Union

Fred J. Kroll
President
Brotherhood of Railway, Airline
and Steamship Clerks

John H. Lyons
President
International Association of Bridge
and Structural Iron Workers

William H. McClennan
President
International Association of
Firefighters

AFL-CIO (continued)

Frederick O'Neal
President
Associated Actors & Artists
of America

Harry R. Poole
President
Amalgamated Meat Cutters
and Butcher Workers of N. Am.

S. Frank Raftery
President
International Brotherhood of
Painters and Allied Trades of
U.S. and Canada

Joseph P. Tonelli
President
United Paperworkers International
Union

J.C. Turner
President
International Union of
Operating Engineers

Martin J. Ward
President
United Association, Plumbing
and Pipe Fitting Industry

Glenn E. Watts
President
Communication Workers of
America

William W. Winpisinger
President
International Association
of Machinists

Jerry Wurf
President
American Federation of State,
County and Municipal Employees

AFL-CIO (continued)

Alvin E. Heaps
President
Retail, Wholesale
and Department Store Union

UAW

Pat Greathouse
Vice President
(Officially representing Douglas Fraser,
UAW President)

Howard Young
Special Consultant to
Douglas Fraser

Stephen Schlossberg
Director, Government and
Public Affairs

Frank James
Administrative Assistant
to the President

SCHULTZE/BOSWORTH
ATTACHMENT

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 9, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CS*
Barry Bosworth *BB*

Subject: Meeting with Organized Labor

You will be meeting with George Meany, the AFL-CIO Executive Council, and representatives of the UAW Wednesday morning on the inflation issue.

Ambassador Strauss and Secretary Marshall met with Mr. Meany last week to sound him out on contributions that organized labor might make to the deceleration effort. That meeting did not go well. Mr. Meany repeated his view that deceleration must occur on the price side first. Reductions in wage increases would automatically follow because of smaller cost-of-living increases.

- o This is the same response that sustains the current inflation as wage increases are justified by price increases and higher prices by higher wages.
- o Not all contracts have escalator clauses; those that do change wages by a smaller percent than price changes; and such contracts also have fixed wage increases larger than productivity gains.

In view of this attitude, we are unlikely to obtain any significant concessions in this meeting. Yet, there is no point to a confrontation at this time. We have discussed the situation with Ambassador Strauss and we all agreed you should use the opportunity to emphasize several points:

- o We recognize that wage increases were not the cause of the current inflation. But they are a major factor in sustaining the inflation.

-- There have been very small gains in the average worker's real income over the last decade. This is the result of large food and fuel price increases and a very poor productivity performance. It does not reflect a decline in labor's share of total income in the industrial sector.

- o This Administration is strongly committed to expanding employment; but to an increasing extent, its efforts are constrained by growing concern about inflation.

housing

-- Failure to make progress against inflation will make it increasingly more difficult to mobilize public support for measures to keep the expansion going.

-- Reaching and sustaining lower levels of unemployment will simply not be possible if inflation accelerates -- as it is likely to do in the future unless we begin bringing it down now.

-- No matter who is running the Fed, they simply will not print money to accommodate a rising inflation.

- o Failure to make progress against inflation soon will therefore leave only two options: recession or more restrictive limitations on wage and price increases.

-- It is a serious national problem which will require everyone's effort if it is to be solved.

-- Organized labor cannot simply sit back and wait for others to take the first step -- they must play an active role. There must be a simultaneous step-down of everyone's wage and price increases.

- o As its contribution, the government will work hard to sustain expansion and it will make every effort to avoid those actions which raise prices and costs directly.

-- You could point to the 4.5 million gain in jobs since January 1977 and the 1.8 percentage point fall in unemployment since late 1976.

- The threatened veto of the farm bill.
- Organized labor cannot complain about many of the government's actions over the last year that added to the inflation since they initiated many of the requests for trade restraints, new regulations, and the minimum wage increase.
- Food prices have risen sharply in recent months, but they are likely to moderate substantially during the summer.
- Several major industries have already indicated that their price increases will meet the deceleration objective (e.g., autos, aluminum, railroads), and we expect to make similar progress with others. You may wish, at this point, to ask Bob Strauss to report on the cooperation he is getting from business.
- We are confident that we can insure that there will be no widening of overall profit margins at the expense of labor during 1978.
- o There has been a significant acceleration in wage rate increases over the last year that reflects more than the minimum wage increase and the coal settlement.
 - This appears to be primarily the result of higher non-union wage increases.
 - Improvements in real wages will be limited in 1978 by food price increases and a very poor growth of productivity; but larger wage increases will not change that and will only add to inflation.
- o Efforts to moderate these non-union and small union wage increases are seriously hampered by the much larger wage gains within the highly visible basic industrial core of the economy (steel, autos, Teamsters, railroads, communications, electrical, etc.).
 - Wage and fringe benefit increases of this group of workers are running in the range of 9-1/2 to 10 percent annually compared to 7 to 8 percent in the rest of the economy.

- Efforts to close this wage gap by higher increases at the bottom will worsen the inflation.
- Deceleration of these large gains is imperative if we are to keep inflation from getting worse in 1979 and 1980.
- o We are seeking to avoid confrontation with them over this issue.
- We have avoided reference to a single number and have sought to discuss individual situations ahead of time.
- In general terms, we have sought a deceleration in the magnitude of average wage and fringe benefit increases; but with a recognition that those who have received larger than average increases must decelerate more.
- o We are not asking that organized labor support the anti-inflation program in all of its details; but
 - They could endorse the general concept.
 - They could publicly recognize that labor will need to play an active role in a deceleration of both prices and wages.
 - We realize that they cannot promise any specific actions in advance. But we are asking them to consult and work together with us to help avoid wage settlements that threaten to torpedo the deceleration objective.
- o (Organized labor will offer its support for the hospital cost containment bill. But, this support has been obtained by exempting hospital labor costs from the cost containment effort. Thus, it implies no restraint on their part and may worsen the problem of wage inflation for hospitals.
 - This support, on the other hand, would be helpful to Administration efforts to pass the hospital cost containment bill.
 - On balance, their support will be helpful but it costs them nothing.)

MARSHALL/STRAUSS
ATTACHMENT

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

8 MAY 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: RAY MARSHALL
Secretary of Labor

ROBERT S. STRAUSS
Special Representative for
Trade Negotiations

SUBJECT: YOUR MEETING WITH THE LABOR LEADERS,
WEDNESDAY, MAY 10, 1978

On the morning of May 10, you will be meeting with George Meany, Lane Kirkland, the members of the AFL-CIO Executive Council, and several UAW vice presidents. Unfortunately, Doug Fraser will be in Sweden. He has been providing strong support. The subject of the meeting is your anti-inflation program. We met with George Meany, Lane Kirkland and Tom Donahue on Thursday afternoon to discuss your meeting. Our analysis of the situation, based on that session and on previous meetings, is as follows:

It is clear that the unions are skeptical of the potential effectiveness of the Administration's anti-inflation policy. The unions, moreover, are unwilling to practice wage deceleration prior to any indication of a slowdown in price inflation. In particular, they believe that wage increases must be adequate to keep workers ahead of the increases in the prices of basic goods such as food, health care and housing costs. Although they may not admit it explicitly, we believe that Meany does have an understanding of labor's stake in solving the inflation problem--the stake being an avoidance of a recession and/or wage price controls. Ray Marshall's recent memo to George Meany laying out the unions' interest in a successful anti-inflation policy is attached.

Mr. Meany may not be aware of the results of the Harris Survey which indicated that union members consider rising prices a greater personal problem and a more important problem for the country than high unemployment (83-7 percent as a personal problem, 46-39 percent as a problem for the country). Even more important, 54 percent of union members

would rather take a pay increase smaller than the comparable price rise if they were sure that the cost of living would be brought under control rather than a pay raise that is more than the rising cost of living without that assurance.

The critical issue, in our judgment, is that without the assurance of a slowdown in the rate of inflation the labor unions are unwilling to accept deceleration as a principle in their wage negotiations. It also appears that Meany is unwilling to make a call for cooperation that would be repudiated by a large number of labor leaders. Specifically, he states clearly that he, Meany, does not want to make a commitment that he cannot keep. Of course, Mr. Meany is not personally involved in any negotiations and so cannot be asked literally to commit organized labor to a specific negotiating posture. He does not want to be put into the embarrassing position of being repudiated as the leader of the labor movement.

Despite all these problems, however, we believe that the meeting with the labor leaders can be very successful for your anti-inflation policy. While much of the following requires checking, we think that we can get the labor leaders to agree on the following:

- (1) Labor supports the Administration's deceleration goal. It recognizes that labor's economic and social goals are threatened by any acceleration in the inflation rate.
- (2) Labor will cooperate with the Administration's effort to slow inflation in particular sectors. Specifically, labor will cooperate with the attempt to slow inflation in the health sector by pledging to support hospital-cost containment and to help move that legislation through the Congress.
- (3) If price increases decelerate, labor expects that wage increases will decelerate also, on average. (Meany raised the problem of weak unions which did poorly in the last round of negotiations. These unions may be aiming for higher settlements in the next round although they are unlikely to win large wage increases.)

There are likely, of course, to be some demurrers. Meany may ask for a continuing commitment to free collective bargaining. He may also criticize recent tough talk that could lead to anticipatory inflation in fear of future wage

and price controls. According to Tom Donahue, Emmitt Andrews, President of the American Postal Workers Union, AFL-CIO, will object to the pay cap on Federal employees.

Attachment B lists the labor leaders we expect at the meeting on the 10th.

Attachments

APR 26 1978

Mr. George Meany
President
American Federation of Labor
and Congress of Industrial
Organizations
815 16th Street, NW
Washington, D.C. 20005

Dear George:

You asked for my thoughts on the relationship of the Administration's anti-inflation policy to the interests of the unions and to collective bargaining. I believe the following are most important.

The most serious threat to the goals that Labor and the Administration share is the possibility that inflation will accelerate. Accelerating inflation will surely bring a premature end to the economic recovery and to our hopes for achieving the goals of the Humphrey-Hawkins Bill. If inflation accelerates, it will be more difficult to pass Humphrey-Hawkins, Labor Law Reform, and all of the social legislation such as National Health Insurance, that are part of the agenda of both the Administration and the AFL-CIO. Failure to control inflation might well lead to outcomes that we would both find abhorrent. The probability of a recession would increase as would pressures for some form of wage and price controls.

Workers are concerned about real wages--not merely money wage increases that are eroded by inflation. Union members, therefore, as well as the rest of the population, are quite concerned about inflation. The latest Harris Poll indicates that union members rank inflation as a more important problem than unemployment. This reasoning convinces me that Labor has as much at stake in slowing inflation as does the Administration.

Not only does Labor have an important stake in the outcome of the Administration's inflation policy, there are also

compelling reasons for Labor to cooperate with the Administration. There is already broad, although misplaced, belief that unions are responsible for inflation. The Administration recognizes that collective bargaining settlements have not been a major element causing inflation. Settlements in 1977 were modestly lower than those in 1976. The recent coal settlement, however, will not help reduce inflation if it is used as a pattern in settlements by the Teamsters and others--even though coal is unique and traditionally has not been a pattern setter. There is some evidence, moreover, that wage increases among non-union employees may have accelerated. The hourly earnings index has increased by over 8 percent in the last 12 months compared to approximately 7 percent in the previous 12 months.

In terms of public image, Labor has little to gain by not cooperating with the President, and much to lose. Otherwise, if the program is a success, Labor will get no credit, if a failure, Labor might be viewed as the villain. Whatever the success of the Administration's program, it will be in Labor's interest to have indicated their cooperation.

The public attitudes towards Labor's relationship to the anti-inflation program is important. More important, however, is the potential for Labor to influence the approach if you cooperate with the anti-inflation effort. As you know, we have been urging that the anti-inflation program include a sustained and careful analysis of inflationary elements in the economy on a sector-by-sector basis. We believe this sectoral approach is superior to single shot decisions on individual negotiations.

With your cooperation, we believe that the anti-inflation policy will give adequate emphasis to non-labor costs such as health insurance premiums, interest rates, property costs, and the other things you mentioned in your speech to the Building Trades Department legislative conference.

Union cooperation in the anti-inflation program is extremely important to the Administration. It is needed to give greater credibility to the entire effort. We understand that you do not agree with everything in the program, such as the paycap on Federal workers. But, we believe that most of the program deserves your support. The President's program does not interfere with the workers' right to protest nor their right to fight for what they consider equitable collective bargaining settlements. It does not intend to fight inflation with high unemployment. I believe

you agree with our emphasis on health care costs and it would be helpful if Labor clarified its position on hospital cost containment. The sectoral approach, that I described above, is another portion of the President's program that Labor could commend publicly.

In summary, the labor movement and the Administration have more interests in common than disagreements over inflation policy. Accelerating inflation is a threat to our shared goals; it is in both our interests for the labor movement to cooperate with the effort, and there is more agreement than disagreement on the specific elements of the program.

The President would like to meet soon with leaders of organized labor. Bob Strauss has already talked to you about this. We are proceeding with the arrangements and hope the meeting will prove valuable to all concerned.

Thank you for your consideration.

Sincerely,

SIGNED RAY

Secretary of Labor

ATTENDEES FOR THE LABOR LEADERS MEETING
WEDNESDAY, MAY 10, 1978

George Meany
President
AFL-CIO

AFL-CIO EXECUTIVE COUNCIL

Emmet Andrews
President
American Postal Workers Union

Kenneth T. Blaylock
President
American Federation of
Government Employees

Peter Bommarito
President
United Rubber Workers

Sol C. Chaikin
President
International Ladies' Garment
Workers Union

Al H. Chesser
President
United Transportation Union

C. L. Dellums
President
Brotherhood of Sleeping
Car Porters

Tom Donahue
Executive Assistant to the
President

Murray H. Finley
President
Amalgamated Clothing and
Textile Workers Union

David J. Fitzmaurice
President
International Union of
Electrical, Radio &
Machine Workers

Angelo Fosco
President
Laborers' International
Union of North America

Thomas W. Gleason
President
International Longshoremen's
Association

A. F. Grospiron
President
Oil, Chemical & Atomic
Workers International Union

Matthew Guinan
President
Transport Workers Union
Of America

Paul Hall
President
Seafarers International Union

Edward T. Hanley
President
Hotel & Restaurant Employees'
& Bartenders' International
Union

Alvin E. Heaps
President
Retail, Wholesale & Department
Store Union

Lane Kirkland
Secretary-Treasurer

Fred J. Kroll
President
Brotherhood of Railway,
Airline & Steamship Clerks

John H. Lyons
President
International Association
of Bridge & Structural
Iron Workers

Lloyd McBride
President
United Steelworkers of America

William H. McClellan
President
International Association of
Fire Fighters

Frederick O'Neal
President
Associated Actors & Artists
of America

Harry R. Poole
President
Amalgamated Meat Cutters &
Butcher Workers of
North America

S. Frank Raftery
President
International Brotherhood of
Painters & Allied Trades
of United States & Canada

William Sidell
President
United Brotherhood of
Carpenters & Joiners of
America

Joseph P. Tonelli
President
United Paperworkers
International Union

J. C. Turner
President
International Union of
Operating Engineers

Martin J. Ward
President
United Association, Plumbing
& Pipe Fitting Industry

Glenn E. Watts
President
Communications Workers
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William W. Winpisinger
President
International Association
of Machinists

Jerry Wurf
President
American Federation of
State, County & Municipal
Employees

UNITED AUTOMOBILE WORKERS UNION

Ken Bannon
Vice President

Irving Bluestone
Vice President

Pat Greathouse
Vice President

Stephen Schlossberg
Director
Government and Public Affairs

Marc Stepp
Vice President

Howard Young
Special Consultant

T H E W H I T E H O U S E

extra

FOR ACTION: LANDON BUTLER

STU EIZENSTAT
JACK WATSON

SUBJECT: MARSHALL STRUASS MEMO RE YOUR MEETING WITH LABOR
LEADERS ON MAY 10

+ + + + +
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+ + + + +

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

	FOR STAFFING
<input checked="" type="checkbox"/>	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

LONDON - orig given to Pres at Cabinet mtg -- without attaching

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

<input checked="" type="checkbox"/>	VICE PRESIDENT
<input checked="" type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
<input checked="" type="checkbox"/>	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARAGON
	BOURNE
<input checked="" type="checkbox"/>	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

APR 26 1978

Mr. George Meany
President
American Federation of Labor
and Congress of Industrial
Organizations
615 16th Street, NW
Washington, D.C. 20005

Dear George:

You asked for my thoughts on the relationship of the Administration's anti-inflation policy to the interests of the unions and to collective bargaining. I believe the following are most important.

The most serious threat to the goals that Labor and the Administration share is the possibility that inflation will accelerate. Accelerating inflation will surely bring a premature end to the economic recovery and to our hopes for achieving the goals of the Humphrey-Hawkins Bill. If inflation accelerates, it will be more difficult to pass Humphrey-Hawkins, Labor Law Reform, and all of the social legislation such as National Health Insurance, that are part of the agenda of both the Administration and the AFL-CIO. Failure to control inflation might well lead to outcomes that we would both find abhorrent. The probability of a recession would increase as would pressures for some form of wage and price controls.

Workers are concerned about real wages--not merely money wage increases that are eroded by inflation. Union members, therefore, as well as the rest of the population, are quite concerned about inflation. The latest Harris Poll indicates that union members rank inflation as a more important problem than unemployment. This reasoning convinces me that Labor has as much at stake in slowing inflation as does the Administration.

Not only does Labor have an important stake in the outcome of the Administration's inflation policy, there are also

compelling reasons for Labor to cooperate with the Administration. There is already broad, although misplaced, belief that unions are responsible for inflation. The Administration recognizes that collective bargaining settlements have not been a major element causing inflation. Settlements in 1977 were modestly lower than those in 1976. The recent coal settlement, however, will not help reduce inflation if it is used as a pattern in settlements by the Teamsters and others--even though coal is unique and traditionally has not been a pattern setter. There is some evidence, moreover, that wage increases among non-union employees may have accelerated. The hourly earnings index has increased by over 8 percent in the last 12 months compared to approximately 7 percent in the previous 12 months.

In terms of public image, Labor has little to gain by not cooperating with the President, and much to lose. Otherwise, if the program is a success, Labor will get no credit, if a failure, Labor might be viewed as the villain. Whatever the success of the Administration's program, it will be in Labor's interest to have indicated their cooperation.

The public attitudes towards Labor's relationship to the anti-inflation program is important. More important, however, is the potential for Labor to influence the approach if you cooperate with the anti-inflation effort. As you know, we have been urging that the anti-inflation program include a sustained and careful analysis of inflationary elements in the economy on a sector-by-sector basis. We believe this sectoral approach is superior to single shot decisions on individual negotiations.

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In summary, the labor movement and the Administration have more interests in common than disagreements over inflation policy. Accelerating inflation is a threat to our shared goals; it is in both our interests for the labor movement to cooperate with the effort, and there is more agreement than disagreement on the specific elements of the program.

The President would like to meet soon with leaders of organized labor. Bob Strauss has already talked to you about this. We are proceeding with the arrangements and hope the meeting will prove valuable to all concerned.

Thank you for your consideration.

Sincerely,

SIGNED RAY

Secretary of Labor

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WEDNESDAY, MAY 10, 1978

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President
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AFL-CIO EXECUTIVE COUNCIL

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Government and Public Affairs

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Howard Young
Special Consultant

THE WHITE HOUSE
WASHINGTON

Meeting with
George Bristol et al
May 10, 1978
Roosevelt Room
(5 minutes)
10:00 a.m.

(by: Fran Voorde)

- I. PURPOSE: to thank them for willingness to help
on Houston DNC Fundraiser scheduled
for Friday, June 23.
- II. BACKGROUND, PARTICIPANTS, PRESS:

- A. Background: John White and Chuck Manatt
have asked George Bristol to
take charge of putting together
the Houston DNC Fundraiser.

Those you will meet will be
primarily from Texas, but also
from Louisiana and the Southwest.
They have agreed to help George
as the executive committee for
the dinner.

You have done this type drop-by
prior to other DNC fundraisers.

- B. Participants: See attached list
- C. Press: White House Photographer

EXECUTIVE PROTECTIVE SERVICE

To: Officer-in-charge
 Appointments Center
 Room 060, OEOB

Please admit the following appointments on Wed., May 10, 19 78

for Tim Kraft/PRESIDENT of _____:
 (Name of person to be visited) (Agency)

Benezech, Francis J.	434-34-2461	9/12/29
<u>Bristol, George L.</u>	455-56-4819	8/11/41
Brown, William D.	433-58-1041	11/20/31
Camp, John	422-18-2067	9/23/33
Carmouche, Edward M.	437-03-6869	6/21/21
Clymer, Ray	460-22-9629	5/18/25
Cope, John	477-62-9062	5/30/42
Croy, Dan C.	515-28-1367	12/22/33
Cunningham, Kenneth R.	451-54-6880	4/2/37
Dove, Roger	043-09-0056	10/27/18
Flournoy, Lucien	433-16-5184	6/13/19
Fogleman, James	537-28-2000	7/17/25
Garber, Charles M.	436-52-7160	9/11/33
Goleman, Harry	421-22-4091	2/7/27
Hall, Walter Gardner	450-03-4052	5/30/07
Hay, Jess	451-46-8195	1/22/31
Hays, Lloyd	460-42-4895	11/29/34
Huenefeld, Frederick	434-54-0016	12/27/29
Jaffe, Morris Douglas	457-20-2569	5/4/22
Johnson, Travis C.	453-50-0842	4/20/36
Jones, Theodore	253-48-6836	5/21/34
Jordan, Charles F. III	459-56-6141	1/4/37

MEETING LOCATION

Building West Wing- White House Requested by B. Hendrix
 Room No. Roosevelt Room Room No. Telephone 6797
 Time of Meeting 10:00A Date of request 5/9/78

Additions and/or changes made by telephone should be limited to three (3) names or less.

DO NOT DUPLICATE THIS FORM

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742

EXECUTIVE PROTECTIVE SERVICE

To: Officer-in-charge
Appointments Center
Room 060, OEOB

Please admit the following appointments on Wednesday, May 10, 19 78

for Tim Kraft/THE PRESIDENT of _____:
(Name of person to be visited) (Agency)

CONTINUED

Leberman, Lowell	465-96-9150	4/26/39
Lifshutz, Bernard Lee	465-26-9701	10/2/26
McMillian, James	427-32-2575	7/11/26
Mann, Robert	457-46-4103	1/31/31
Mecom, John W., Jr.	450-52-1131	10/11/39
Moore, Joe Hiram	460-16-0248	3/21/17
Pitts, L. Frank	271-10-1164	10/7/10
Richards, Ann Willis	460-52-8709	9/1/33
Rodriguez, George N., Jr.	463-48-8466	10/2/36
Runnels, Michael L.	585-10-0384	9/11/45
Sepulveda, Frank	466-32-0563	1/27/27
Schaefer, John Milner	509-26-0792	9/14/40
Smyth, William Joseph	120-12-6347	7/28/21
Steward, Don M.	456-80-8861	8/7/54
Trenton, Norman	487-14-7120	8/12/33
Warner, Raleigh	351-14-5977	2/13/21
Whynot, Charles Leslie	456-34-3162	12/11/25
Young, Samuel D.	452-24-6467	11/15/1896

MEETING LOCATION

Building West Wing - White House Requested by B. Hendrix/T. Kraft
Room No. Roosevelt Room Room No. _____ Telephone 6797
Time of Meeting 10:00A Date of request 5/9/78

Additions and/or changes made by telephone should be limited to three (3) names or less.

DO NOT DUPLICATE THIS FORM

APPOINTMENTS CENTER: SIG/OEOB - 395-6046 or WHITE HOUSE - 456-6742

nm
TX
LA
WT

THE WHITE HOUSE
WASHINGTON

May 10, 1978

Ambassador Strauss
Stu Eizenstat

The attached was returned in the
President's outbox today and is
forwarded to you for your information.
The signed original has been delivered.

Rick Hutcheson

LETTER TO CHAIRMAN MINCHEW

THE WHITE HOUSE
WASHINGTON

Mr. President:

Stu concurs with Strauss
and recommends that you
sign the attached letter
to Chairman Minchew.

Rick (wds)

THE WHITE HOUSE
WASHINGTON

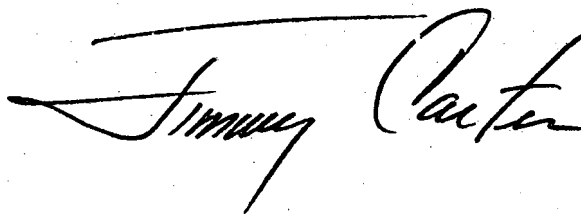
May 10, 1978

To Chairman Daniel Minchew

Thank you for your April 25, 1978 letter concerning the recent Section 337 case concerning welded stainless steel pipe and tube.

As you know, under Section 337 it is the President's responsibility to review determinations and to make an independent judgment of whether to disapprove such determinations for policy reasons. I have done so in this case on the basis of objective analysis and not personalities, and although you may disagree with my decision I hope you can appreciate the reasons which led me to it.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable Daniel Minchew
Chairman
International Trade Commission
701 E Street
Washington, D.C. 20436

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

*Susan
LeType
J*

MAY - 6 1978

MEMORANDUM FOR THE PRESIDENT

FROM : Robert S. Strauss *RS*

SUBJECT: Response to Daniel Minchew's Letter of
April 25, 1978.

Chairman Minchew, obviously irritated by the disapproval of the Commission's Section 337 Determination, has asked to see you to discuss the problems he thinks will follow from the disapproval. I do not think it would be sufficiently productive to justify your discussing the matter with him. Instead, I suggest that you send him a reply along the lines of the enclosed draft letter.

Chairman Minchew has also written me the enclosed letter and expressed his dissatisfaction with the recent action. He seems to have taken the action as a personal rebuke. I will speak to him and see if I can alleviate some of his concerns.

Enclosures

THE WHITE HOUSE
WASHINGTON

5/1078

rick--

please have retyped and
returned for signature
with accompanying material

thanks -- susan

A handwritten signature in cursive script, appearing to read "Cathy", followed by a long, sweeping diagonal stroke.

THE WHITE HOUSE

WASHINGTON

To Chairman Daniel Minchew

Thank you for your April 25, 1978 letter concerning the recent Section 337 case concerning welded stainless steel pipe and tube. ~~Let me first state that I appreciate both your concern for, and your efforts on behalf of, this Administration. I have also appreciated the work of the Commission. I certainly do not, nor should you, view my recent action as a personal rebuke of the fine work of the Commission or yourself.~~

As you know, under Section 337 it is the President's responsibility to review determinations and to make an independent judgment of whether to disapprove such determinations for policy reasons. I have done so in this case, and although you may disagree with my decision I hope you can appreciate the reasons which led me to it.

Sincerely,

do not underline
on the basis of objective analysis and not personal life,

The Honorable Daniel Minchew
Chairman
International Trade Commission
701 E Street
Washington, D.C. 20436

CHAIRMAN



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D. C. 20436

April 25, 1978

The President
The White House
Washington, D. C. 20500

Mr. President:

As you know, I disagree with the wisdom of your decision on stainless steel pipe and tube, although I recognize your authority to overturn remedies the Commission has imposed as a result of foreign unfair trade practices.

The immediate impact of your decision will likely be confusion about your intentions regarding enforcement of the laws prohibiting foreign unfair trade practices. The statement you have issued on the stainless steel pipe and tube case adds, I am afraid, to the confusion that results when the public looks at your previous comments on the subject and your present actions.

The purpose of this letter is to suggest that you consider making a statement to clarify any doubts that now exist about your intentions to enforce vigorously all laws prohibiting foreign unfair trade practices. I would also like to request an appointment to discuss the proper role of the Commission I head in carrying out its mandates under the law and your conception of our role.

Your action on April 22nd seems to have ended the possible future use of Section 337 of the Tariff Act of 1930 as amended by the Trade Act of 1974 as a remedy available to domestic interests faced with foreign unfair pricing practices. Your decision also has the effect of making foreign noncooperation an effective defense against American industry complaints against possible foreign unfair trade practices. These cases are extremely expensive to both the public and the taxpayers and both deserve a better understanding of your views.

As you know, I have attempted to render every possible assistance to you and your Administration. I remain available to do anything within my power to make your Administration a success; however, I am somewhat at a loss to know what your positions are. I hope that as a result of this rather candid letter a more sharply focused

APR 2 1978

2171

The President

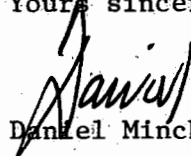
- 2 -

April 25, 1978

Administration position, and maybe even more even handed handling of international trade issues can result. However, because your statement of April 22, 1978, appears to be almost a personal rebuke of many of the things I have been doing, under the apparent false impression that my actions were helpful, not harmful, to the Administration, I hope that it will be possible for you to make some time available to me to discuss the problems that I think will follow in the wake of your April 22nd announcement.

I hope you have a nice day.

Yours sincerely,



Daniel Minchew

CHAIRMAN



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D. C. 20436

April 25, 1978

The Honorable Robert S. Strauss
Special Representative for Trade Negotiations
1800 G Street, Northwest
Washington, D. C. 20506

Dear Bob:

If the attached is the way you treat your friends, I surely hope that I never experience how you treat your enemies. What have I done to deserve such a slap in the face?

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Dan Minchew", is written over the typed name.

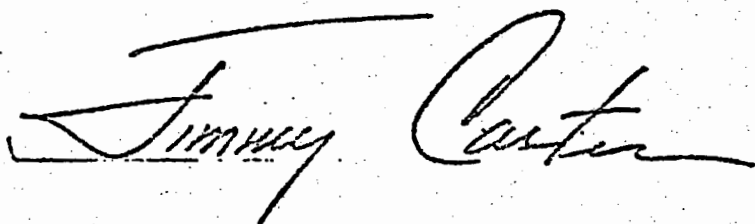
Daniel Minchew

April 22, 1978

To Chairman Daniel Minchew

Pursuant to Section 337(g) (2) of the Tariff Act of 1930, as amended, I have decided to disapprove of the Commission's determination concerning Certain Welded Stainless Steel Pipe and Tube, Investigation No. 337-TA-29. Enclosed is a copy of my determination.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

The Honorable Daniel Minchew
Chairman
United States International
Trade Commission
Washington, D.C. 20436

Disapproval of the Determination of the United States International Trade Commission in the Matter of: Certain Welded Stainless Steel Pipe and Tube, Investigation No. 337-TA-29

The United States International Trade Commission, acting under Section 337 of the Tariff Act of 1930, as amended, has ordered certain manufacturers, exporters, and importers of Japanese welded stainless steel pipe and tube to cease and desist from selling such products for consumption in the United States at prices below the average variable cost of production without commercial justification.

Under Section 337(g) of the Tariff Act of 1930, as amended, the President may, for policy reasons, disapprove a determination of the United States International Trade Commission issued under Section 337(f) by notifying the Commission of such disapproval within 60 days after receiving the determination of the Commission. I have today determined for policy reasons to disapprove the Commission's determination concerning "Certain Welded Stainless Steel Pipe and Tube, Investigation No. 337-TA-29," and have so notified the Commission.

The following major policy considerations entered into my decision to disapprove the Commission's determination:

1. The detrimental effect of the imposition of the remedy on the national economic interest;
2. The detrimental effect of the imposition of the remedy on the international economic relations of the United States;
3. The need to avoid duplication and conflicts in the administration of the unfair trade practice laws of the United States;
4. The probable lack of any significant benefit to U.S. producers or consumers to counterbalance the above considerations.

In this case, the Commission found a tendency to restrain trade and commerce in the United States on the ground that sales below the average variable costs of production tended to reduce the domestic market share of other foreign competitors. The Commission did not base its finding on injury to the domestic welded stainless steel pipe and tube industry. The Commission cited a factual determination that total import penetration into the domestic market had increased only from 12.2% in 1972 to 12.7% in 1976. The

primary effect of approving the cease and desist order would therefore likely be limited to a shifting among foreign suppliers of their share of the present level of imports into the domestic market. This result would provide little or no benefit to the United States welded stainless steel pipe and tube industry or its employees. Nor would it significantly promote competition in the domestic industry.

Sales below cost of welded stainless steel pipe and tube have been the subject of two antidumping investigations by the Department of the Treasury, one in 1972, and another which proceeded simultaneously with the Commission's Section investigation. As a result of its more recent investigation, which involved six producers accounting for approximately 85% of Japanese imports into the United States, the Treasury Department found that four firms had sales at more than minimal margins below fair value. Sales from those four firms have been referred to the Commission for an injury determination under the Antidumping Act. The Treasury Department's determination under the Antidumping Act therefore provides adequate protection against unfair trade practices described in this petition. In fact, the cease and desist order's prohibition of unjustified sales below the variable cost of production provides a more difficult standard for petitioners to satisfy than that contained in the Antidumping Act of 1921, as amended, which prohibits injurious sales below the total cost of production.

In this case, the Commission did not suspend its investigation after notifying the Secretary of the Treasury of the potential applicability of the Antidumping Act to the same subject matter. This resulted in overlapping investigations and determinations. As a result of this duplication, the imposition of the cease and desist order would be viewed by our trading partners as a precedent and a departure from internationally agreed procedures for dealing with below cost sales. Such a result would be an irritant in relations between the United States and those governments whose firms are being subjected to duplicative investigations, often at considerable expense to the parties and governments concerned. If allowed to stand, the cease and desist order would be viewed by foreign governments as undesirable harassment of their producers and as an unjustified burden on international trade. It would invite retaliation against United States exports, would complicate our current efforts to negotiate revisions of the international trading rules, and would thus be detrimental to the national economic interest and to the international economic relations of the United States.

it is this Administration's policy to administer the unfair trade practice statutes of the United States expeditiously and fairly. Unnecessary duplications and conflicts in the administration of those laws result in confusion and the inefficient use of both private and governmental resources. Unfair trade practice laws should be administered so as to provide reasonable certainty to private parties as to which forum they should devote their resources in bringing their petition. To do otherwise is to impose an unreasonable burden upon the parties, both complainants and respondents.

In this case, the detrimental effect on the national economic interest, on the international economic relations of the United States, and on the sound administration of unfair trade practice laws that would result from approval of the determination is not counterbalanced by any likely substantial benefits to the industry, its employees, or to competition in the United States. Therefore, the present use of Section 337 where other remedies are specifically provided for by law and are in fact utilized is not justified.

For the policy reasons stated above, the Commission's determination in Investigation No. 337-TA-29 is disapproved

Wagon

ID 782171

THE WHITE HOUSE
WASHINGTON



DATE: 25 APR 78

FOR ACTION: STU EIZENSTAT

with concerns w/ Strauss

TIM KRAFT attached (we)

STRAUSS (cc from Ginsburg)

*9:20 -
will contribute*

INFO ONLY:

*Strauss draft response
w/ Ginsburg & he is under
it here; One will be w/ w/
STP is then; response
expected by Wed PM - he
will be coordinated against w/.*

SUBJECT: MINCHEW LETTER RE REQUEST FOR MEETING AND CLARIFICATION
STATEMENT ON STAINLESS STEEL PIPE AND TUBE DECISION

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 27 APR 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 782171

T H E W H I T E H O U S E

WASHINGTON

DATE: 25 APR 78

FOR ACTION: STU EIZENSTAT

TIM KRAFT

INFO ONLY:

SUBJECT: MINCHEW LETTER RE REQUEST FOR MEETING AND CLARIFICATION
STATEMENT ON STAINLESS STEEL PIPE AND TUBE DECISION

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 27 APR 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*Rick, let Stu
strains
it
work
out
him
with
President
we'll
need
guidance
asked
them -
TK*



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D. C. 20436

April 25, 1978

The President
The White House
Washington, D. C. 20500

Mr. President:

As you know, I disagree with the wisdom of your decision on stainless steel pipe and tube, although I recognize your authority to overturn remedies the Commission has imposed as a result of foreign unfair trade practices.

The immediate impact of your decision will likely be confusion about your intentions regarding enforcement of the laws prohibiting foreign unfair trade practices. The statement you have issued on the stainless steel pipe and tube case adds, I am afraid, to the confusion that results when the public looks at your previous comment on the subject and your present actions.

The purpose of this letter is to suggest that you consider making a statement to clarify any doubts that now exist about your intentions to enforce vigorously all laws prohibiting foreign unfair trade practices. I would also like to request an appointment to discuss the proper role of the Commission I head in carrying out its mandates under the law and your conception of our role.

Your action on April 22nd seems to have ended the possible future use of Section 337 of the Tariff Act of 1930 as amended by the Trade Act of 1974 as a remedy available to domestic interests faced with foreign unfair pricing practices. Your decision also has the effect of making foreign noncooperation an effective defense against American industry complaints against possible foreign unfair trade practices. These cases are extremely expensive to both the public and the taxpayers and both deserve a better understanding of your views.

As you know, I have attempted to render every possible assistance to you and your Administration. I remain available to do anything within my power to make your Administration a success; however, I am somewhat at a loss to know what your positions are. I hope that as a result of this rather candid letter a more sharply focused

The President

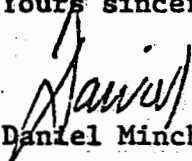
- 2 -

April 25, 1978

Administration position, and maybe even more even handed handling of international trade issues can result. However, because your statement of April 22, 1978, appears to be almost a personal rebuke of many of the things I have been doing, under the apparent false impression that my actions were helpful, not harmful, to the Administration, I hope that it will be possible for you to make some time available to me to discuss the problems that I think will follow in the wake of your April 22nd announcement.

I hope you have a nice day.

Yours sincerely,


Daniel Minchew

cc. Robert J. Strauss

DRAFT RESPONSE

Dear Chairman Minchew:

I appreciate the candor of your April 25, 1978 letter concerning the recent Section 337 case concerning welded stainless steel pipe and tube. Under Section 337 it is the President's responsibility to review determinations and to make an independent judgment of whether to disapprove such determinations for policy reasons. I have done that in this case. You should not view disapproval of the Commission's recent determination as a personal rebuke of the work of the Commission or yourself.

Sincerely,

Jimmy Carter

THE WHITE HOUSE
WASHINGTON

May 3, 1978

Bill:

Re: President's Response to
Chairman Minchew's Letter

Please replace the prior draft response with the attached. Joanne has asked that you send Stu a copy of the action memo, including this new draft response--I have already told Joanne that I recommend that we approve the Strauss recommendation.

Bob G.

Attachment

cc to Joanne 5/3

52 m
Use the
JHC

DRAFT RESPONSE

Dear Daniel:

Thank you for your April 25, 1978 letter concerning the recent Section 337 case concerning welded stainless steel pipe and tube. Let me first state that I appreciate both your concern for, and your efforts on behalf of, this Administration. I have also appreciated the work of the Commission. I certainly do not, nor should you, view my recent action as a personal rebuke of the fine work of the Commission or yourself.

As you know, under Section 337 it is the President's responsibility to review determinations and to make an independent judgment of whether to disapprove such determinations for policy reasons. I have done so in this case, and although you may disagree with my decision I hope you can appreciate the reasons which led me to it.

Sincerely,

Jimmy Carter

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

MEMORANDUM FOR: THE PRESIDENT

FROM: RAY MARSHALL *Ray*
Secretary of Labor

ROBERT S. STRAUSS
Special Representative for
Trade Negotiations

SUBJECT: YOUR MEETING WITH THE LABOR LEADERS,
WEDNESDAY, MAY 10, 1978

On the morning of May 10, you will be meeting with George Meany, Lane Kirkland, the members of the AFL-CIO Executive Council, and several UAW vice presidents. Unfortunately, Doug Fraser will be in Sweden. He has been providing strong support. The subject of the meeting is your anti-inflation program. We met with George Meany, Lane Kirkland and Tom Donahue on Thursday afternoon to discuss your meeting. Our analysis of the situation, based on that session and on previous meetings, is as follows:

It is clear that the unions are skeptical of the potential effectiveness of the Administration's anti-inflation policy. The unions, moreover, are unwilling to practice wage deceleration prior to any indication of a slowdown in price inflation. In particular, they believe that wage increases must be adequate to keep workers ahead of the increases in the prices of basic goods such as food, health care and housing costs. Although they may not admit it explicitly, we believe that Meany does have an understanding of labor's stake in solving the inflation problem--the stake being an avoidance of a recession and/or wage price controls. Ray Marshall's recent memo to George Meany laying out the unions' interest in a successful anti-inflation policy is attached.

Mr. Meany may not be aware of the results of the Harris Survey which indicated that union members consider rising prices a greater personal problem and a more important problem for the country than high unemployment (83-7 percent as a personal problem, 46-39 percent as a problem for the country). Even more important, 54 percent of union members

would rather take a pay increase smaller than the comparable price rise if they were sure that the cost of living would be brought under control rather than a pay raise that is more than the rising cost of living without that assurance.

The critical issue, in our judgment, is that without the assurance of a slowdown in the rate of inflation the labor unions are unwilling to accept deceleration as a principle in their wage negotiations. It also appears that Meany is unwilling to make a call for cooperation that would be repudiated by a large number of labor leaders. Specifically, he states clearly that he, Meany, does not want to make a commitment that he cannot keep. Of course, Mr. Meany is not personally involved in any negotiations and so cannot be asked literally to commit organized labor to a specific negotiating posture. He does not want to be put into the embarrassing position of being repudiated as the leader of the labor movement.

Despite all these problems, however, we believe that the meeting with the labor leaders can be very successful for your anti-inflation policy. While much of the following requires checking, we think that we can get the labor leaders to agree on the following:

- (1) Labor supports the Administration's deceleration goal. It recognizes that labor's economic and social goals are threatened by any acceleration in the inflation rate.
- (2) Labor will cooperate with the Administration's effort to slow inflation in particular sectors. Specifically, labor will cooperate with the attempt to slow inflation in the health sector by pledging to support hospital-cost containment and to help move that legislation through the Congress.
- (3) If price increases decelerate, labor expects that wage increases will decelerate also, on average. (Meany raised the problem of weak unions which did poorly in the last round of negotiations. These unions may be aiming for higher settlements in the next round although they are unlikely to win large wage increases.)

There are likely, of course, to be some demurrers. Meany may ask for a continuing commitment to free collective bargaining. He may also criticize recent tough talk that could lead to anticipatory inflation in fear of future wage

and price controls. According to Tom Donahue, Emmitt Andrews, President of the American Postal Workers Union, AFL-CIO, will object to the pay cap on Federal employees.

Attachment B lists the labor leaders we expect at the meeting on the 10th.

Attachments

THE WHITE HOUSE
WASHINGTON

May 10, 1978

Tim Kraft
Jim Gammill

The attached was returned in the
President's outbox today and is
forwarded to you for appropriate
handling.

Rick Hutcheson

PRESIDENT'S EXPORT COUNCIL

2448

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
/	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
/	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*

JIM GAMMILL *Jim G*

SUBJECT:

President's Export Council

The President's Export Council was established in December 1973, to serve as a national advisory body on export expansion activities. Its membership consists of a chairman, vice chairman and twenty members. The Council identifies and examines problems regarding the effects of industrial practices on export trade and serves as a liaison among members of the business and industrial community on export expansion matters.

We have been working with the Commerce Department to come up with a full slate to recommend for your approval. At this time, there are still a few problems that have to be worked out.

Frank Moore requests that we proceed immediately with the appointments of Emile Bussiere, of New Hampshire, and Mark Hasten, of Indiana. Senators Durkin and Bayh are extremely anxious that the announcements of these appointments be made as soon as possible.

Although our usual procedure would be for us to wait until an entire slate is ready, we are in complete agreement that the unexpected delays should no longer hold up the appointments of Mr. Bussiere and Mr. Hasten.

RECOMMENDATION:

Appoint Emile Bussiere and Mark Hasten to the President's Export Council.

☒ approve

☐ disapprove

J

EMILE ROLAND BUSSIERE, SR.

OFFICE ADDRESS:

15 North Street
Manchester, New Hampshire 03104
Telephone: 603-622-1002

HOME ADDRESS:

55 Carpenter Street
Manchester, New Hampshire 03104
Telephone: 603-622-8019

DATE and PLACE OF BIRTH:

May 16, 1932; Manchester, New Hampshire

PERSONAL:

Married to Joan Helen Blais Bussiere, four children
Military: United States Army, 1956 - 1958

EDUCATION:

Boston College Law School
September 1951 - June 1954
Degree: LL.B.

St. Anselm's College
September 1949 - June 1951
Left to attend law school.

EXPERIENCE:

1958 - 1977	Attorney-at-Law Self-employed, except as noted below.
1956 - 1958	United States Army - Assigned to professional duties as an Attorney to the Contract Review Agency, Philadelphia Q.M. Depot, Pennsylvania
1954 - 1956	Law Clerk U. S. District Court for the District of New Hampshire

EXPERIENCE cont'd.

1963 - 1968 Hillsborough County Attorney
1960 - 1963 United States Commissioner
United States District Court for the
District of New Hampshire

OTHER:

Present President
Holiday Properties, Inc.
Organization engaged in operation
and management of a mobile home
park

Co-Owner
Kingswood North Real Estate Trust
Owner of 76-unit high rise apartment
building

HONORS:

Dean's List, Boston College Law School, 1952 - 1953
Staff, Annual Survey of Massachusetts Law, 1953 - 1954
(Equivalent of Law Review status)
Ranked first in second year of law school
Cumulative rank of fourth in law school

PERSONAL RESUME' OF MARK HASTEN, 1115 West 75th Street, Indianapolis, IN 46260; Telephone: (317) 257-7261 Business; (317) 255-8921 Residence

PERSONAL

Mark Hasten, born June 28, 1927, Stanislaw, Poland. Immigrated to the U.S.A., June, 1953; Citizen of U.S.A., November, 1956.

Married 25 years to Anna Ruth (Robinson). Son, Edward S., age 24; Son, Michael A., age 22; Daughter, Monica D., age 17; Daughter, Judy J, age 14.

EDUCATION

Bachelor of Science Degree in Mechanical Engineering. Graduated from Southern Methodist University, Class of 1959. One year toward Master's Degree in Mechanical Engineering.

BUSINESS EXPERIENCE

- I. From 1959 through 1968 with General Mills, Inc., Minneapolis, MN.
 - a. Four years in Research and Development
 - b. Five years in Corporate Engineering as Chief Design Engineer.

Accountability: Design and development of all proprietary processing equipment; management of 40-50 Engineers and Designers; also, holding multiple patents in the food processing equipment industry.

- II. From 1967 through present co-owner/partner (with brother) of Colonial Crest Nursing Center, Inc., an Indiana health care company servicing nursing care in six Indiana communities. Presently employing 1,200 people.

Accountability: Complete operational management of company business and finance.

- III. Director/Co-Chairman Executive Committee - majority stockholder of:
 - a. First National Bank of Kokomo
 - b. First National Bank of Martinsville

Accountability: Involvement in the operation of these two financial institutions.

PARTICIPATION IN CIVIC, POLITICAL & PHILANTHROPIC ORGANIZATIONS

I. Civic

- a. Rotary International
- b. Mason - Scottish Rite and Shrine

II. Political

- a. Member of Democratic National Finance Council
- b. Involved in Democratic politics in the State of Indiana.

PERSONAL RESUME' OF MARK HASTEN (Cont'd.)

III. Other Organizations

- a. Presently - President of the Hebrew Academy of Indianapolis.
- b. Past President, Bnai Torah Congregation.
- c. Director of Board of Jewish Welfare Federation.
- d. Member of Board of Directors of The Jewish Community Relation's Council.
- e. Member of campaign cabinet of the State of Israel Bond organization.
- f. Past member of Executive Committee of the Jewish Educational Association.

Received numerous civic awards from local and national organizations.

THE WHITE HOUSE
WASHINGTON

May 10, 1978

Fran Voorde

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

2449



Frank

SPACE CITY DEVELOPMENT, INC.

CHARLES L. WHYNOT
CHAIRMAN OF THE BOARD

May 10, 1978

*The Honorable Jimmy Carter
President of the United States
The White House
Washington, D.C.*

Dear Mr. President:

*On behalf of Dr. Christopher C. Kraft, Jr., Director
and Administrator of Lyndon B. Johnson Space Center,
and myself, I would like to cordially invite you to
visit the Clear Lake Area and the Johnson Spacecraft
Center during your upcoming visit to Texas.*

*It is my understanding that you are the only President
of the United States that has not visited the Space
Center since it's inception in 1961. A tour of the
Center would be most enlightening and informative with
the advent of the Space Shuttle Program.*

*My wife, Billie, and I live in the immediate vicinity
of the Johnson Spacecraft Center and would be honored
to have you stay in our home during your visit.*

*I thank you for the opportunity of allowing me to
meet with you today along with other members of John Hill's
committee.*

Very respectfully yours,

Charles L. Whynot
Chairman of the Board

CLW:bah

2:30 PM

THE WHITE HOUSE

WASHINGTON

May 9, 1978

MEETING WITH AMERICAN RETAIL FEDERATION

Wednesday, May 10, 1978

2:30 p.m.

Room 450 EOB

From: Hamilton Jordan/Steve Selig *H.J.*

I. PURPOSE

To greet the officers, Board of Directors and members of the American Retail Federation and to seek their support for your anti-inflation program.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The American Retail Federation is holding its 43rd Annual Meeting in Washington. It is the umbrella organization for virtually the entire retail industry. The retail industry as an employer accounts for over 35% of the Gross National Product and the industry employs over 12 million people. The President of the Federation is Loyd Hackler who has helped the Administration in its dealings with constituent groups and Congress as much as any business leader in Washington. Loyd serves as a member of the Board of Directors of the "Citizens for Tax Reform in 1978" and meets on a regular basis with senior members of the Administration including Stu Eizenstat, Anne Wexler, Hamilton Jordan and Bob Strauss.

B. Participants: see attached

C. Press Plan: White House Photo and Press Pool

III. TALKING POINTS as prepared by Jim Fallows' office

THE WHITE HOUSE

WASHINGTON

May 9, 1978

MEMORANDUM TO THE PRESIDENT

FROM: JIM FALLOWS, *JP* GRIFFIN SMITH *AS*

SUBJECT: Remarks to the American Retail Federation

Background and Format:

A. Bob Strauss will be conducting the meeting when you arrive, and he will introduce you. Bo Cutter will speak later on the program; afterwards, Helen Strauss will host an East Room reception for the group.

B. You should be aware that the Board of the American Retail Federation is actively considering several steps its members can take to combat inflation. Among these are a voluntary limit on salary increases and a system requiring suppliers to justify price increases. The Board may formally adopt some such measures at a luncheon meeting shortly before you speak. If this happens, Bob Strauss will announce them in the course of his introduction and you can tailor your remarks to fit that good news.

C. Some of the retailers' policy positions are as follows:

Foreign Trade: as distributors, they are favorably disposed toward free trade and support your decisions, such as the one on shoes, that promote this objective.

Taxes: The ARF generally supports your tax cut proposals, but most retailers are less enthusiastic about your reforms. They are particularly interested in the inclusion of investment tax credits for retailers. If you choose to solicit their support for the enactment of the tax package, a talking point stressing the linkage between tax cuts and tax reforms is included at the end of this memo.

Talking Points on Inflation:

1. Inflation is our country's most serious problem. We are now projecting it at six-and-three-quarters to seven per cent, which is higher than 1977 and three-quarters of a point above what we had hoped and expected for this year. At such a rate, inflation is seriously reducing the value of the dollar, increasing unemployment, increasing the trade deficit, and reducing consumer demand.

2. I met last month with the leaders of big business to seek their support for our deceleration efforts, and this morning I met with labor leaders for the same purpose. I was encouraged by their willingness to cooperate.

3. But for any anti-inflation program to be successful, it needs the support of more than the manufacturers, more than industry, more than banking, and more than the labor unions: it needs the active support of responsible retail leaders like yourselves, because the effects of inflation are most highly visible in retail operations, and that is where consumers feel them most sharply. To overcome inflation we must convince skeptical consumers that steady price increases have not become a permanent fact of life. You are on the front lines in that effort.

4. You can help the most by decelerating the rate of your price increases and salary increases. I'm one who

believes that voluntary restraints will work, and that we can avoid the very harsh and unpleasant alternatives that some people are recommending. But fighting inflation voluntarily means that everyone has to take a little less for himself than he would like to have, maybe a little less than he feels entitled to. I don't think most Americans are basically selfish or unreasonable. I think they are still willing to do certain things that may personally be somewhat unpleasant but which they know are very much in the interests of our whole society, provided they feel what they are being asked to do is fair and provided they see everyone else making the same genuine effort. As long as Americans have that sense of the common good and recognize their own personal stake in it, I'm optimistic about making inroads against inflation voluntarily.

Other Points:

1. Business always seems to have a certain amount of apprehension about a Democratic Administration. I don't want to beat the drums for what we have done, but I think that under this Administration business has prospered in some important respects: corporate dividends were up substantially last year, corporate profits rose very strongly, and retail sales continue to be strong. Those signs are good, and I think the overall picture is basically reassuring and encouraging.

2. We have tried to put together a well-considered, balanced package of tax reductions and reforms. The business tax changes are important -- steps like the reduction in corporate tax rates and the substantial liberalization of the investment tax credit are fully justified -- but the point I want to stress is that all these elements are interrelated. They were chosen because they did fit together to promote my goal of a fairer and simpler tax system. And I would hope that business leaders like yourselves would recognize the importance, not only of the changes that affect you directly, but of the way these are linked with other parts of the package in a comprehensive and mutually dependent way.

#

PARTICIPANTS

AMERICAN RETAIL FEDERATION

WHITE HOUSE BRIEFING

May 10, 1978

Randy Aires

Assistant Director Government Affairs
SEARS ROEBUCK & COMPANY

Virginia Aires
SEARS, ROEBUCK & CO.

Angelo Arena

Chairman of the Board
MARSHALL FIELD & COMPANY

Edward Atkins

Executive Vice President
VOLUME FOOTWEAR RETAILERS OF AMERICA

Kenneth Axelson

Senior Vice President & Director
J.C. PENNEY COMPANY

Roberta Axelson

J. C. PENNEY COMPANY

David E. Babcock
Chairman of the Board
MAY DEPARTMENT STORES

Deanna T. Bronson
Secretary
AMERICAN RETAIL FEDERATION

J.A. Baer
Chairman
STIX, BAER & FULLER

Robert J. Buzbee
Director Public Affairs
SEARS, ROEBUCK & CO., INC.

Ardern Batchelder
Consultant
CARTER HAWLEY HALE STORES

Jesse Brown
U. S. DEPARTMENT OF THE TREASURY

Philip I Berman
President & Chairman
HESS'S

S. Lester Block
Senior Vice President
R.H. MACY COMPANY, INC.

Robert J. Bolger
President
NATIONAL ASSOCIATION OF CHAIN
DRUG STORES

Edward T. Borda
President
ASSOCIATION OF GENERAL MERCHANDISE
CHAINS

Robert E. Bradford
Senior Vice President, Govt. Relations
FOOD MARKETING INSTITUTE

Pauline M. Baer
STIX, BAER & FULLER

Dr. Muriel M. Berman
HESS'S

Melvin Blassingham
VIRGINIA RETAIL MERCHANTS ASSN.

Helen Bolger
NATL. ASSN. CHAIN DRUG STORES

Susan A. Borda
ASSN. GENERAL MERCHANDISE CHAINS

Patricia Callahan
Attorney
SEARS, ROEBUCK & COMPANY

Fred F. Canning
Senior Vice President
WALGREEN'S

Joseph Carroll
Assistant Secretary
F.W. WOOLWORTH COMPANY

John Cashman
Assistant Secretary & General
SEARS, ROEBUCK & COMPANY

Peggy Cashman
SEARS, ROEBUCK & COMPANY

Levon F. Charlson
President
OUTLET DEPARTMENT STORES

Howard L. Cook, Jr.
Consultant
AMERICAN RETAIL FEDERATION

Peggy Cashman
SEARS, ROEBUCK & CO.

Mitzi Daines
AMERICAN RETAIL FEDERATION

Charles Duchen
President
YOUNKER BROTHERS, INC.

William Kay Daines
Executive Vice President
AMERICAN RETAIL FEDERATION

Jane Donahue
CONNECTICUT RETAIL MERCHANTS ASSN.

Rita M. Darling
J. C. PENNEY CO., INC.

Richard C. Darling
Senior Washington Representative
J.C. PENNEY COMPANY, INC.

Don J. DeBolt
Executive Director
MENSWEAR RETAILERS OF AMERICA

Hershel A. Denker
Assistant Vice President
ZAYRE CORPORATION

Dennis M. Devaney
Counsel
FOOD MARKETING INSTITUTE

not coming
William J. Dillard, Sr.
President
DILLARD DEPARTMENT STORES

Joseph P. Donahue
Executive Vice President
CONNECTICUT RETAIL MERCHANTS ASSN.

Edward S. Donnell
Chairman of the Board
MONTGOMERY WARD & COMPANY

Richard Drews
Vice President
WALGREEN'S

G.B. Eason, Jr.
Community Affairs
SEARS ROEBUCK & COMPANY

Thomas R. Edel
Executive Vice President
NEW JERSEY RETAIL MERCHANTS ASSOCIATION

Ms. Terry Fitzgerald
Staff Sttorney
ILLINOIS RETAIL MERCHANTS

Douglas J. Flack
Director International Business
Program
ROCKWELL INTERNATIONAL

Susan Garber Flack
Vice President & Counsel
AMERICAN RETAIL FEDERATION

Benjamin Frank
Vice President
ALLIED STORES CORPORATION

Verrick O. French
Vice President, Govt. Affairs
NATIONAL RETAIL MERCHANTS ASSN.

Philip Friedlander
Executive Vice President
NATIONAL TIRE DEALERS & RETREADERS

Rosa Lee Friedlander
NATIONAL TIRE DEALERS ASSOCIATION

George Frieese
Secretary & Corporate Counsel
SCOA Industries

not coming
Patricia Frieese
SCOA Industries

Nina Frank
ALLIED STORES CORP.

A. J. Gallerano
Operating Vice President
FOLEY'S

Evelyn C. Gallerano
FOLEY'S

Kelly Lynn Gallerano
FOLEY'S

Augusta Gay
HAVERTY FURNITURE CO.

Leonard O. Gay
Sr. Vice President & Treasurer
HAVERTY FURNITURE CO.

Stuart Gasner
Attorney
LONDON & GOLDBERG

Emioe S. Godfrey, Jr.
Director of Federal Affairs
FEDERATED DEPT. STORES, INC.

James Goldberg
Attorney
LONDON & GOLDBERG

Thompson Greenwood
Executive Vice President
NORTH CAROLINA MERCHANTS ASSN.

Eula Nixon Greenwood
NORTH CAROLINA MERCHANTS ASSN.

Loyd Hackler
President
AMERICAN RETAIL FEDERATION

Michael Holowka
Executive Director
DELAWARE RETAIL ASSOCIATION

Norma Hackler
AMERICAN RETAIL FEDERATION

John Hoving
Senior Vice President
FEDERATED DEPARTMENT STORES

Denise Hale
CARTER HAWLEY HALE STORES

Linda Wheat Hebert
D. H. HOLMES CO., LTD.

Prentis C. Hale
Chairman of the Executive Committee
CARTER HAWLEY HALE STORES

Carolyn Jennings
DIRECT SELLING ASSN.

Gertrude G. Harris
WOOLWORTH-WOOLCO, USA

W.R. Harris
President
WOOLWORTH-WOOLCO, USA

Patrick J. Head
Vice President, Secretary &
General Counsel
MONTGOMERY WARD & COMPANY

Jay F. Hebert
Vice President of Public
Affairs
D.H. HOLMES COMPANY, LTD.

Terry Isbell
Director of Personnel
HAVERTY FURNITURE COMPANY

Peggy Heine
MONTGOMERY WARD & COMPANY

Spencer Heine
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AMERICAN RETAIL FEDERATION

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Margaret Mayer
ASSOCIATED MERCHANDISE CORP.

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AMERICAN RETAIL FEDERATION

not
Timothy McEnroe
Director of Federal Affairs
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SEARS, ROEBUCK & COMPANY

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Vice President
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Arlington, Ohio
OHIO COUNCIL OF RETAIL MERCHANTS

Sandra Mahaney
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coming* Stanley Markay
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Regional Attorney, Legislative
& Governmental Affairs
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Assistant Executive Director
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Senior Vice President
AMERICAN RETAIL FEDERATION

Vicky Williams
AMERICAN RETAIL FEDERATION

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JACK ECKERD CORPORATION

Thomas Zaucha
National Director, Government Affairs
THE GREAT ATLANTIC & PACIFIC TEA COMPANY

Frank Zellet
President
CHARLES A. STEVENS & COMPANY

THE WHITE HOUSE
WASHINGTON

May 10, 1978

Frank Moore

The attached was returned in the President's outbox. It is forwarded to you for appropriate handling.

Rick Hutcheson

CALL TO SEN. DICK CLARK

MR. PRESIDENT.

FRANK SAYS WE CAN'T GET DICK CLARK

DOWN HERE IN TIME, BUT STRONGLY URGES

THAT YOU CALL.

WILL CALL ✓ SET APPOINTMENT

TIM

done

THE WHITE HOUSE
WASHINGTON

May 10, 1978

*Seriously
Consider
J*

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *Fm.*

SUBJECT:

REQUEST TO TELEPHONE SEN. DICK CLARK (D-Iowa)
REGARDING ARMS SALES

Secretary Vance spent a long time on the telephone with Sen. Clark. You probably will not get Dick to agree with us, but it is worth a try. You should use a very soft sell.

Up until our last computer list, Clark was our #1 Democratic supporter in the Senate. For a Senator who is running, he has voted with us on difficult political issues--including farm votes. He usually does not question Administration policy.

You should say that you understand if he cannot go with you on this one but to give you the benefit of the doubt if he is undecided.

Senators Byrd and Baker are both pushing for a vote this afternoon. It looks like we are winning 9 to 7 without Clark, or an even 8 to 8 without Church.

THE WHITE HOUSE
WASHINGTON

May 10, 1978

Frank Moore

The attached was returned in the President's outbox. It is forwarded to you for your information.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
✓	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

May 9, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *FM/BR*
BOB THOMSON *BT*

We had three victories in the Senate today:

Benjamin Civiletti for Deputy Attorney General and
Lynn Coleman for General Counsel, Department of Energy,
were approved by the Senate. ✓

Also, the Senate Commerce Committee reported out the no-
fault bill 9-7. Sen. Long took a walk. We convinced ✓
Sen. Durkin to vote with us at the last minute.
Sen. Riegle would have supported reporting out the bill
if he was needed.

The bill will have extremely tough sledding on the Senate
floor and in the House. Nevertheless, getting the bill
reported out of the Commerce Committee against intensive
lobbying by the trial lawyers is a major Carter victory.

THE WHITE HOUSE
WASHINGTON

May 10, 1978

Stu Eizenstat
Jim McIntyre

The attached was returned in the
President's outbox today and is
forwarded to you for appropriate
handling.

Rick Hutcheson

NATIONAL HISTORIC PRESERVATION WEEK

original given to B. Lind's office

THE WHITE HOUSE
WASHINGTON

*These
Should be
at least 2
weeks ahead
of time -*

May 9, 1978

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT *Stu*

SUBJECT: National Historic Preservation Week
Proclamation

I recommend that you sign the draft proclamation for National Historic Preservation Week. Presidential proclamations have been issued to commemorate this event in some years, and in others, no proclamation has been issued. Issuing this proclamation this year would be an indication of the Administration's interest in historic preservation and help build support among historic preservationists for your Heritage Program.

The Interior Department and the National Trust Advisory Council on Historic Preservation also recommend that you sign the proclamation. OMB and James Fallows have reviewed the draft for proper form. OMB would prefer that a statement or some other format be used, but, if a proclamation is to be issued, OMB believes the draft is suitable.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

GENERAL COUNSEL

May 3, 1978

MEMORANDUM FOR: BOB LINDER
FROM: *Bill Nichols*
SUBJECT: National Historic Preservation
Week, 1978

A proposed proclamation designating the week beginning May 7, 1978 as National Historic Preservation Week was submitted to this office by Mr. Deller of the Domestic Policy Staff with a request for editorial guidance. We advised Mr. Deller that we would provide such assistance as a courtesy but would not transmit it to the White House with a favorable recommendation.

Similar proclamations were issued in 1973 and 1975-1977. There is no statutory basis for its annual issuance and issuance for a fourth consecutive year will make it difficult, if not impossible, to terminate next year.

In short, the proposed proclamation does not conform to the established criteria of Congressional authorization or traditional issuance. These criteria do not always satisfy groups that must be turned down. They do, however, leave the impression that the declination was not politically motivated or that it in any way reflects White House skepticism as to the merits of the group's cause. Each time an exception is made, our ability to convey these thoughts is diminished.

I recommend that the White House issue a statement or use some other format. However, if a proclamation is to be issued, the enclosed document is suitable for presentation to the President.

Enclosure

NATIONAL HISTORIC PRESERVATION WEEK, 1978

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

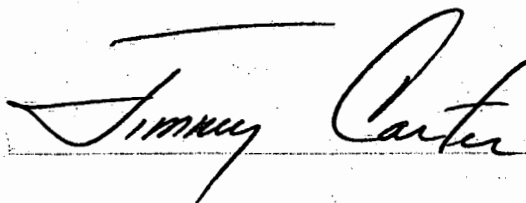
America's ability to meet the challenges of its third century with confidence and strength will depend upon an appreciation and understanding by the American people of their past.

Among our most important links with the past are the historic sites, structures, and landmarks of earlier times. Together, they form a vast legacy of cultural resources. This legacy, however, is not merely one of monuments, battlefields, and historic buildings. It includes the houses, streets, stores and factories that make up our communities -- those familiar places and structures that remind us of the accomplishments, character, and dreams of our forebears.

For our own sake, and for that of future generations of Americans, we must do all that lies within our power to preserve this cultural heritage.

NOW, THEREFORE, I, JIMMY CARTER, President of the United States of America, do hereby proclaim the week beginning May 7, 1978, as National Historic Preservation Week. I call upon Government agencies at all levels, interested private individuals and organizations, and Americans everywhere, to mark this observance with appropriate ceremonies and activities in their communities and neighborhoods.

IN WITNESS WHEREOF, I have hereunto set my hand this day of May, in the year of our Lord nineteen hundred seventy-eight, and of the Independence of the United States of America the two hundred and second.

A handwritten signature in cursive script, reading "Jimmy Carter", is written over a horizontal line.

ADMINISTRATIVELY
CONFIDENTIAL

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 9, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

SUBJECT: Economic and Fiscal Policy for FY 1980,
and Implications for FY 1979

1. Introduction

We have reviewed the budgetary and economic outlook for the fiscal years 1979, 1980, and beyond, in preparation for your next week's May 16 Budget Review. That review raised a number of questions and problems of such major import that we requested a meeting this week to present them to you.

2. Economic outlook

Over the past six months, two major developments have been occurring, which recent statistics appear to have confirmed as more than a temporary aberration.

First, employment has risen and unemployment has fallen by far greater amounts than were earlier expected, even though the GNP by mid-1978 will be about what we had predicted. By April, the unemployment rate was almost 1 percentage point lower than can be explained by past relationships between unemployment and GNP growth. While it is conceivable that we could lose some of this unemployment "bonus," we see no reason to believe that most of it will disappear. If economic growth proceeds at about 4-1/4 percent a year in 1978 and 1979 -- our latest estimate, assuming a \$25 billion tax cut effective October 1, 1978 -- the unemployment rate would probably decline to the range of 5.4 to 5.7 percent by late 1979. And so, even with a smaller growth rate than we earlier forecast, unemployment over the next several years may end up well below the estimates on which the 1979 budget was based.

Unemp projected 4Q79 6.0% (could be 5.4-5.7%)
Infl creeping up. food, wages,
GNP+ Infl = 10 1/2 - 11%, Fed will inc interests.

-2-

Second, not only have food prices been increasing much faster in early 1978 than earlier anticipated, but average wage rates are climbing more rapidly. Even after adjustment for the January increase in the minimum wage, the pace of wage gains has accelerated since the first half of last year. The sharp rise in employment and decline in unemployment may have been a causal factor. Even though the rapid pace of food price increases is likely to taper off, the threat of some acceleration in inflation is greater than it appeared several months ago.

In order for economic growth to proceed at a 4 to 4-1/2 percent pace in 1978 and 1979, several relatively optimistic assumptions must be made:

- o food price increases taper off, and the rate of inflation then stays in the 6-1/2 to 6-3/4 percent range over the period -- despite the recent speed up in average wage increases and a continuing fall in unemployment
- o some further increases in interest rates occur over the next two years, but not exceeding 1/2 to 3/4 percent; this is less than most observers expect, given what has recently been happening to the growth of M_1 and the Fed's likely reaction.

In fact, if the unemployment rate falls to the levels in the forecast -- 5.4 - 5.7 percent by late 1979 -- there is a very serious risk of a persistent upward drift in inflation. Moreover, given the current economic outlook, the growth in M_1 , and the prospective budget deficit, the Fed is quite likely to tighten credit a good bit more than we have assumed. Quite apart from the Fed, private financial markets may project greater inflation rates and move toward higher interest rates. As a consequence, housing construction in 1979 could fall significantly and other economic activity could be dampened. Since these effects are not likely to be smooth, the projected fall in unemployment could be turned into an increase by mid-1979. An acceleration of inflation might then be prevented, but at very high cost.

In sum, because of the greater than expected fall in unemployment, the recent speed up in food prices and wage rates, and the Fed's likely reaction both to these events and to the recent sharp growth in M_1 , we may very well be

Charlie
Tax Cut House \$208 10/1/78
Sen 25 1/1/79 → \$20 1/1/79 178 deficit
Mike
\$158 - 1/1/79

-3-

running into a situation in which our current economic course becomes unsustainable: if we keep on track we risk some heating up of inflation; and we may, in any event, be forced off the track because fiscal and monetary policy are in conflict with each other.

3. Budgetary outcome

We have assumed budget expenditures of \$500 billion in FY 1979 and \$545 billion in 1980 in making our projections. But OMB estimates that under current policies and programs -- with no cuts or additions -- expenditures in FY 1980 would be about \$560 billion. The "current policy" estimate of FY 1980 expenditures is \$17 billion higher than the numbers contained in the January budget. The major reasons for the increase are: higher inflation, the 1980 effects of the urban and higher education programs, the virtually zero probability of getting from the Congress some legislated cuts in mandated HEW programs proposed in the 1979 budget, and a miscellany of small items. The budget can't be worked down to a \$545 level by eliminating the items which caused the over-run. This target would have to be reached by painful cuts.

To meet a \$545 billion target for 1980 expenditures, all new spending initiatives would have to be foregone and \$15 billion in cuts found. To get a \$15 billion cut in expenditures by 1980, an even larger cut in program levels would be required.

Assuming the relatively optimistic economic projections, enactment of the \$25 billion tax cut, and the \$545 billion expenditure level, the budget results would be:

	<u>FY 1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	(billions of dollars)			
Expenditures	453	500	545	590
Receipts <u>1/</u>	<u>398</u>	<u>437</u>	<u>500</u>	<u>462</u>
Deficit	-55	-63	-45	-28

1/ We have not had time to complete the detailed review of revenue estimates which Treasury staff normally do. The numbers above are subject to later revision.

Here is where the economic and budgetary problems intersect. Even after cutting some \$15 billion from the "current policy" expenditures, the FY 1980 fiscal program yields a \$45 billion deficit that would likely be excessive from an economic standpoint and psychologically damaging to financial markets. The probability of preventing an acceleration of inflation would be low. And, with these kinds of fiscal and economic results in prospect, the Fed would, before then, act strongly on its own to slow the economy through higher interest rates.

If, in the light of these problems, we wish to make any changes in our FY 1979 fiscal policy -- openly or quietly -- two events will occur within the next seven days that give an urgency to any decisions: (1) The Congress must complete action on the first concurrent budget resolution by May 15; and (2) The Federal Open Market Committee will be considering what to do about monetary policy in its next monthly meeting on May 16, and their assessment of the likely course of the budget deficit may affect the outcome.

From an economic standpoint, this evaluation suggests two courses of action:

1. Reducing the budget deficit in 1979 and 1980 below what is currently in prospect.
2. Seeking some assurance from Chairman Miller that the Fed would take the deficit reduction into account in its policy decisions, particularly over the next couple of months which may prove very difficult.

Each of these approaches raises some difficult political and bureaucratic problems which are discussed below.

4. Reducing the FY 1979 and 1980 deficit

The House and Senate Budget Conference is scheduled to begin on Wednesday of this week.

The House budget resolution provides for a \$20 billion tax cut effective October 1, 1978. The Senate budget resolution allows for a \$25 billion cut effective January 1, 1979 (which makes a \$19.3 billion revenue loss in fiscal 1979).

If the Senate accepted the lower House amount for the size of the cut, and the House accepted the Senate's later enactment date, the FY 1979 budget deficit could be lowered by \$9 billion -- from our \$63 billion estimate to \$54 billion. (Since both House and Senate Committees are assuming somewhat higher GNP than we do, the deficit they show would be a bit lower.) The 1980 deficit would be reduced by \$3 billion -- from \$45 to \$42.

The lower tax cut, everything else being equal, would slightly reduce the GNP growth rate and slightly raise unemployment compared to what they would be with the original \$25 billion package. The differences would be small. By the end of 1979, the unemployment rate would be in the 5.6 to 5.9 percent range (instead of the 5.4 to 5.7 range). The direct effect on inflation would also be small -- perhaps 0.1 percent lower inflation.

But everything else is not equal. Such an action -- reducing the deficit in both 1979 and 1980 -- could give us three possible bonuses: (a) it would increase the credibility of our anti-inflation efforts; (b) it increases the likelihood of moving toward budget balance in later years; and (c) it would help strengthen the hand of Chairman Miller to pursue a more moderate monetary policy.

It is also likely that this action would strengthen your hand at the Summit. Given its surprisingly large success in lowering unemployment the United States would be moving to deal with inflation. Combined with either legislative or administrative actions on the energy front, the United States would be seen to be tackling its two major problems. Conversely, we would be in a better position to ask the Japanese and the Germans to move more vigorously on the growth and unemployment fronts.

We think that the Chairmen of the two Budget Committees would be sympathetic to this outcome. Two alternative approaches are available:

1. We ask publicly for such an action (after consultations on the Hill).
2. We encourage them quietly in this direction, and then -- when the action is completed -- state that in view of the most recent economic trends, we understand and sympathize with their action.

The first alternative has the merit of strong positive Presidential action against inflationary risks. It would make it easier for Miller to sell his case. But given the very short time remaining before the Budget Committees act, it would require a very sudden reversal of an earlier position. The damage would almost surely outweigh the benefits. The second alternative seems much preferable. (We have to realize, however, that "quiet" encouragement could leak.)

5. Further actions

In view of the potential 1980 budget situation, and the economic trends described earlier, still further actions may be necessary to hold down the deficit.

To get expenditures down to the \$545 billion in 1980, some actions and announcements may have to be taken soon -- even before the 1980 budget is formulated. OMB will shortly be prepared to suggest what must be done. Announcement of those actions at an early date could help to create the right climate for the anti-inflation program and improve the outlook for financial markets.

Even with FY 1980 expenditures held at \$545 billion, and with a tax cut reduced to \$20 billion and delayed for three months, the deficit in 1980 (\$42 billion) may still be too large, given our potential inflation problem.

We could aim for even lower 1980 outlays -- say, \$540 billion (yielding a budget deficit of perhaps \$39 to \$40 billion). The likelihood of reaching that outcome is very low, however. (You may wish to set it as a target in order to be more certain of ultimately getting to \$545.) The only other alternative is a still lower tax reduction. ok

There are two ways to achieve a lower tax reduction, and a lower FY 1980 budget deficit.

1. Reduce the tax cut not to \$20 billion but to \$15 billion. This is approximately the overall magnitude that Ullman appears to be aiming for. With \$545 in FY 1980 expenditures, the deficit would be \$51 billion in 1979 and \$39 billion in 1980.
2. Do not rebate the COET after the first year. (Schlesinger says the first year rebate is inviolable, but it might be possible to put part

or all of the subsequent years' revenues into the Treasury.) If we move to impose an import fee, those revenues could be put into the Treasury. We have not yet explored the ramifications of this possibility.

Each of these options presents political difficulties, but we feel they must be examined in the light of our economic and budgetary problems.

A summary of the problem

We face three major difficulties in economic and budgetary policies:

1. The surprising developments on employment and unemployment put us at least a year ahead of schedule in reducing unemployment. Moreover, the recent upcreep in the rate of wage advance suggests that we would take risks with inflation if we pushed the rate of unemployment below about 5-3/4 percent. This is not a hard and fast boundary, and we cannot be sure of the consequences of going beyond it. But we now have to err on the side of caution, given the serious consequences of an updrift in the underlying inflation rate. If our deceleration policy is very successful, especially with the new round of major wage settlements beginning in 1979, we should be able to relax the constraints. But we can't count on that now.
2. The sharp rise in projected outlays for FY 1980 means that we now have virtually no room for new budget initiatives in the near future, and indeed must pursue stringent budget reductions to keep within reasonable bounds.
3. Even if we take steps to pull in the fiscal reins, and even if Chairman Miller himself cooperates, we cannot be sure that interest rates will not rise sharply over the remainder of the year. The steps outlined above should help with the Fed, but no one can guarantee results.

To remain healthy, our economy now has to operate along a fairly narrow corridor between too much and too little growth, too much and too little fiscal stimulus. That is the price of having reduced the unemployment rate

to 6 percent without having gotten inflation moving down. We have little room for error. We have to plan fiscal policy almost two years in advance. Yet occasional unanticipated events are bound to come along which threaten to push us out of the narrow corridor. I suspect over the years ahead, we shall have to develop ways of changing our fiscal plans to meet such events, without being accused of inconsistency.

ALTERNATIVE ECONOMIC AND BUDGET PROJECTIONS
1978-1981

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>Real GNP Growth (4Q/4Q)</u>				
Base Projections				
\$25 billion tax cut 10/1/78	4.3	4.2	4.3	3.4
\$20 billion tax cut 1/1/79	4.0	4.2	4.4	3.7
\$15 billion tax cut 1/1/79	4.0	3.9	4.3	3.7
Pessimistic Projection				
\$20 billion tax cut 1/1/79	3.8	2.1	3.3	4.9
<u>Unemployment Rate (4Q)</u>				
Base Projections				
\$25 billion tax cut 10/1/78	5.8-6.0	5.4-5.7	5.3-5.6	5.3-5.6
\$20 billion tax cut 1/1/79	5.9-6.1	5.6-5.9	5.4-5.7	5.3-5.6
\$15 billion tax cut 1/1/79	5.9-6.1	5.7-6.0	5.5-5.8	5.4-5.7
Pessimistic Projection				
\$20 billion tax cut 1/1/79	5.9-6.1	6.2-6.5	6.9-7.2	6.3-6.6
<u>Inflation Rate (4Q/4Q)</u>				
Base Projections				
\$25 billion tax cut 10/1/78	6.8	6.4	6.6	6.8
\$20 billion tax cut 1/1/79	6.8	6.3	6.5	6.6
\$15 billion tax cut 1/1/79	6.8	6.2	6.4	6.6
Pessimistic Projection				
\$20 billion tax cut 1/1/79	7.2	7.1	7.0	6.8
<u>Budget Deficit (Fiscal Year Unified Budget)</u>				
Base Projections				
\$25 billion tax cut 10/1/78	-55	-63	-45	-28
\$20 billion tax cut 1/1/79	-55	-54	-42	-23
\$15 billion tax cut 1/1/79	-55	-51	-38	-18
Pessimistic Projection				
\$20 billion tax cut 1/1/79	-55	-58	-64	-49

Basic Assumptions Behind the Projections

Wages

The basic projections predict that average hourly earnings increase at 7-3/4 to 8 percent per year, with only minimal acceleration. The larger increases in late 1977 and early 1978 are thus attributed to the January increase in the minimum wage. The pessimistic case assumes that a legitimate acceleration has already occurred in response to the sharply declining unemployment rate.

Growth in Average Hourly Earnings (Fourth Quarter to Fourth Quarter)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Base Projections					
\$25 billion tax cut 10/1/78	7.7	8.3	7.8	7.9	8.0
\$20 billion tax cut 1/1/79	7.7	8.3	7.7	7.8	7.9
\$15 billion tax cut 1/1/79	7.7	8.3	7.7	7.7	7.8
Pessimistic Projection					
\$20 billion tax cut 1/1/79	7.7	8.3	8.4	8.4	8.3

Farm Prices

The basic projections assume that food price increases subside after several months. After 1978, wholesale farm prices are assumed to rise 5-3/4 percent per year, approximately 1 percent to 1-1/2 percent below the average inflation rate in the economy. The pessimistic alternative assumes that farm price increases remain in the 8 to 8-1/2 range, approximately 1 percent to 1-1/2 percent above the corresponding average for the economy.

Monetary Policy

In the baseline projection with the full \$25 billion October tax cut, it is assumed that the Federal Reserve raises the Federal funds rate by only 1/2 percent above its current level (from 7-1/4 percent to 7-3/4 percent) during 1978. This rate is then held constant during the remainder of the forecast horizon. This is less than most observers expect, given what has recently been happening to the growth of the money supply and the Fed's likely reaction.

Interest rates are slightly lower in the baseline projections assuming \$15 billion or \$20 billion tax cuts effective January 1. This is solely due to the weaker economy and not to a presumption of more expansive policy.

The pessimistic projection assumes the Fed aggressively tightens monetary policy in response to accelerating inflation. The combination of higher inflation and tighter credit conditions cut income growth and weaken confidence to produce a growth recession in 1979.

Fiscal Policy

Expenditures: All of the projections begin with the spending path described on page 3 of the accompanying memo. Adjustments are then made to reflect changes in the predicted unemployment rates, inflation rates, and monetary policies. These adjustments are approximations which have not been scrutinized by OMB, yet which serve to indicate the magnitudes involved.

	FY	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Base Projections					
\$25 billion tax cut 10/1/78		453	500	545	590
\$20 billion tax cut 1/1/79		453	500	544	588
\$15 billion tax cut 1/1/79		453	500	544	587
Pessimistic Projection					
\$20 billion tax cut 1/1/79		453	503	555	602

Receipts: The first projection assumes that the official Administration package is enacted. The alternative projections assume smaller, delayed tax reductions. Aside from feedback effects from the economy, delaying the tax cut raises FY 79 receipts by approximately \$7.5 billion. All projections also include a "\$15 billion" tax cut effective October 1, 1980, which reduces FY 81 receipts by \$13.7 billion, again before feedback effects are considered. All other differences in receipts reflect changes in prices or real incomes.

Receipts	FY	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Baseline Projections					
\$25 billion tax cut 10/1/78		398	437	500	562
\$20 billion tax cut 1/1/79		398	446	503	565
\$15 billion tax cut 1/1/79		398	449	506	568
Pessimistic Projection					
\$20 billion tax cut 1/1/79		399	445	491	553

Finally, all receipt projections are based on preliminary Treasury estimates. Further work suggests all estimates may be revised down by \$1 billion to \$2 billion in 1978-1980, and by as much as \$5 billion in FY 1981. The large 1981 change is principally due to changes in assumed energy taxes.

~~SECRET~~
THE WHITE HOUSE
WASHINGTON

RICK:

I think you
should have this for the files -
HJ and Frank have copies.

Eleanor

5/13

2530

ADMINISTRATIVE-CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

May 10, 1978

7:30 p.m.

*Frank
done
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

As of now, we show six still undecided on the House Committee. We need three of the six to win.

Retains 11 tomorrow

The Speaker is working Gerry Studds (D-Mass.) and John Cavanaugh (D-Nebraska). We will continue to work Leo Ryan (D-California). Ryan says he is with us but we believe he is weak and likely to fold at the last minute.

Secretary Vance is going to talk to former President Ford and ask him if in addition to calling Senator Griffin he will call the three Republicans among the undecideds, Guyer (Ohio), Bill Goodling (Pennsylvania) and Bob Lagomarsino (California). If Ford will not call them, the Secretary will ask him for suggestions as to who should make these calls.

Procedurally, the vote in the House is now scheduled for Tuesday, May 16. The House will be taking up the Security Assistance Bill on the floor on Thursday and it would require a unanimous consent agreement for the Committee to meet while the bill is on the floor.

The Senate Committee will meet in closed session at 10:00 a.m. tomorrow with the vote scheduled for noon. We now expect an 8-8 tie which means that the motion of disapproval is not approved and the sale stands. Following this there is still the possibility of a privilege motion on the floor to discharge the Committee. We do not expect that such a motion will succeed.

This is FYI right now -- we may have to call upon you to make some calls tomorrow.

HOUSE INTERNATIONAL RELATIONS COMMITTEE

+	Leaning + or Undecided	-
Zablocki	Ryan	Fraser
Fountain	93 ✓ Studds - D Mass	• Fascell
Diggs	88 ✓ Cavanaugh D Neb	Rosenthal
Hamilton	19 ✓ Guyer R Ohio	Wolfe
Collins	12 ✓ Lagomarsino R Calif	Bingham
Meyner	29 ✓ Goodling R Penn	Yatron
Pease		• Harrington
de la Garza	<u>Total 6</u>	Solarz
Danielson	<u>Absent</u>	• Bonker
Broomfield		Ireland
Derwinski		Beilenson
Findley	Nix	Fowler
Buchchanan		Burke
Winn		Whalen
Pettis		Gilman
<u>Total 15</u>		<u>Total 15</u>

Studds = Logic - us - but feeling against
all arms sales -

Cavanaugh = Will not fracture = against all
of them

Guyer No change in attitude since last talk -
Political pressures in district minimal

Lagomarsino - Hearings ongoing = Reports will
get together early next week = orig
proposal was not acceptable

Goodling - no decision yet - was spokesman on
Turkey - expect to be in Midwest Vote

THE WHITE HOUSE
WASHINGTON

5-10-78

American Retail Federation

Pres. Lloyd Hackler

Salary increases

Suppliers justify price inc.

Concentrate on non-infl items

Free trade

Productivity

Corp div \uparrow Corp profits \uparrow

Retail sales high Emp \uparrow

Budget - hold

Regulations

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WASHINGTON

100-JCS

5-10-78

Strategy & Perceptions

NATO - mly 5/78

PRC - ANZUS - Japan - Korea -

Mid East / Persian Gulf

Eastern Europe

Turkey / Greece

CM's

Long range planning - Pres / JC

ZBB ± 5 in '80 ± 9 in '84

SALT - Maintain essential equivalence

(Continental air defense)

Early Combat Capability vs Sustainability
prepositioning

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> Navy mission = 12 CV's
460 → 500's in '80's

Center vs Flank
Gr/Turkey 5 flank crucial + Spain

NATO vs global

> Simpler weapons

Process Propan Objective Memo

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5-10-78

Why is labor re inflation

- a) Blocks Goals - Unemp. - HH - NHI - labor law reform - housing Const
- b) Hurts workers (low income) most
 $5\% \text{ Inft} > \text{Unemp} > 50\% \text{ Pay} < \text{Price rise}$
- c) Work together - Not Control by Unemp nor W & P controls
- d) Need leadership, support
Hosp Cost Cont - Exempt labor costs
Endorse Concept = Prices \approx wages
- e) Prices first, Strauss report
- f) Wages don't cause infln, but $\sim 10\%/yr$
- g) Deceleration - $6\frac{3}{4} - 7\%$ 1978

No specific guideline figures
Desire to coop - AFL/CIO
Infl everybody's problem
Workers are victims